

**Statement of the Honorable Tom Bliley
Chairman, Committee on Commerce
Before the
Subcommittee on Finance and Hazardous Materials
Hearing on Financial Services Reform: "A Two Way Street" and Functional Regulation
May 1, 1997**

In 1935, just two years after the Glass-Steagall Act was signed into law, the first attempt to reform the law was launched by a gentleman from Virginia who was intimately familiar with the Act -- its co-author, Carter Glass. That attempt, of course, was not successful. But that does not mean it wasn't a good idea.

The need for reform of the laws that govern our nation's varied financial services remains one of the most important issues facing financial

service providers, investors, consumers, and this Committee. I commend Chairman Oxley for holding this series of hearings on this significant issue. I also commend ranking member Tom Manton, as well as my good friend John Dingell, who has been a forceful proponent of functional regulation for many years.

I look forward to the challenging work ahead as we work with bipartisan cooperation to solve the puzzle of how best to reform financial services regulation, which has proven so elusive in past Congresses. This is a complicated puzzle, and we must ensure that any solution we design provides for fair competition among financial services providers, and provides that regulations that

govern them are efficient and appropriate.

Today we will hear testimony from entities that would be directly and profoundly impacted by a change in financial services regulation. In fact, these companies have already seen significant changes as a result of financial services reform at the regulatory, rather than legislative, level. The regulatory reforms that the Federal Reserve Board and the Comptroller of the Currency have effected have brought banks firmly into the securities and insurance business. But securities and insurance firms do not have the ability to get into the banking business. This has created a “one way street” that compromises fair competition among financial institutions.

A “two way street” would provide equal opportunities for affiliations between all types of financial institutions. This would mean fairer competition, which would, in turn, bring better products and services to investors and consumers. Today we will learn more about the importance of ensuring fair competition on a two way street from the point of view of companies that are currently facing traffic on a one-way street.

We will also learn more today about the need for a regulatory framework that ensures that the regulators best suited to the task are those assigned with the duty to regulate the different financial activities of a multi-service financial institution. When the federal securities laws were

written some 60 years ago, the Glass-Steagall Act was thought to prevent banks from engaging in most securities activities. Similarly, banks were restricted from engaging in insurance activities. Today, of course, banks do engage in these activities, but are not subject to the same rules as securities and insurance firms. This raises concerns about not only competitive imbalances due to differing regulatory regimes, but also the effectiveness of regulation of securities and insurance activities that take place outside the securities and insurance regulatory structure.

I look forward to our witnesses' testimony today and to the ensuing hearings in the Subcommittee on this important subject.